

**Northern Utilities, Inc.  
Review of Unaccounted-For Gas**

**August 15, 2002**

**Background**

Pursuant to the Commission Order in Docket No. 2001-118 dated April 24, 2001, Northern Utilities, Inc. ("Northern" or "Company") is required to file a report summarizing the results of its review of unaccounted-for ("UAF") gas and its plans to address the issue. This report provides an update of Northern's progress as required by that Order.

**Recent History of UAF**

Information to determine UAF gas is compiled in an internal Company report known as Schedule 26. UAF from Schedule 26 for the twelve months ending June for the past six years is as follows:

1997	2.30%
1998	2.64%
1999	3.49%
2000	3.00%
2001	1.45%
2002	1.36%

**Update of Activities and Results**

**?? Automation of Schedule 26**

Beginning in April 2001, the Company intensified its ongoing review of the process of determining UAF gas. Two individuals were assigned primary responsibility for conducting the review. This review of the UAF gas process identified the lack of automation of the Schedule 26 preparation as a key factor to the inconsistencies in the reported UAF. The data needed to compile Schedule 26 each month comes from a variety of sources, including five different information systems. Prior to the automation of the process, the data was gathered through a variety of manual processes, which were prone to human error. The automation of Schedule 26 results in a process that is less fragmented and more consistent, both over time as well as between jurisdictions. The automated Schedule 26 has been in place since the second quarter of 2002.

## **?? Unaccounted-For Gas Reference Manual**

The Company's review of the UAF gas process also identified the need for documentation of the UAF gas methodology as a key factor necessary to implement a comprehensive and consistent UAF process. An Unaccounted-For Gas Reference Manual has been written as a result of this review. The Manual is currently being reviewed and will be provided to the Commission as soon as it is available.

The Manual includes:

?? Overview covering topics such as:

- ?? Company Use
- ?? Level of UAF
- ?? Measurement and Metering of Gas Volumes
- ?? Cycle Billing
- ?? Leakage
- ?? Theft

?? UAF process flowchart

?? New Automated Schedule 26, including schematic of data sources

?? Cycle Billing

?? Gas Supply

?? Transportation

?? Unbilled calculation process

## **Conclusion**

The Company's review of UAF gas has not uncovered any significant operational or financial accounting issues. Rather, the root cause of the UAF problems appears to have been in the process for calculating UAF gas. The automation of Schedule 26 and the completion of the UAF Reference Manual are expected to result in a process of estimating UAF gas that is considerably more accurate and reliable than past estimates.